

Remarks by  
**Tony T. Brown, Director**

Community Development Financial  
Institutions Fund (CDFI)

at the

Annual Conference of the  
South Carolina Association of  
Community Development  
Corporations

Columbia, South Carolina  
Wednesday, September 18, 2002

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Good afternoon and thank you Bernie for the kind introduction. I want to thank you for inviting me to speak at your annual conference.

It gives me great pleasure to be here today to represent the CDFI Fund, as well as to bring you warm greetings from the Secretary of the Treasury, Paul O'Neill.

I value the work of organizations around the country such as the South Carolina Association of CDCs. We have a bond that joins us - a commitment to serve low-income communities and to better the lives of those who live there. Be it through the development of affordable housing or needed community facilities, or by providing needed capital, credit or financial services.

I understand the valuable role that you play as CDCs, and it's in this spirit of partnership that I am here today. Let me share some more of my history:

My association with community development corporations started right after college. I served on the board of the Avondale Redevelopment Corporation in Cincinnati. I was asked to serve by my employer at the time, First National Bank (now U.S. Banking).

Even now, I can remember the executive director's grandiose plans to build new houses in old neighborhoods. Who, I thought, would buy a new house next to an old house, between vacant lots, in a neighborhood where the motto was "get out of the hood."

Jim, the executive director, had dogged determination - you guys call it vision. Banks had a hard time telling him "no." At least that's what Jim thought. I would tell him that he just wouldn't take "no" for an answer.

Jim's vision and determination got homes built and a shopping center constructed. ARC even helped to finance a medical clinic. I

soon learned that proud families, single moms and first time home-buyers bought the houses that this CDC built. To this day, I still beam with pride when I return home to Cincinnati to see that a community revitalized in one neighborhood started with one home built by a grass root developer - a CDC.

I applaud you and commend you for the fine work you do to improve our nation's communities. President Bush often reminds people that the great strength in America is not in our governments. The great strength in America is in the hearts and souls of citizens all around our country. The great strength in America is embodied in those who work, such as you, in community-based institutions across the country.

You should give yourselves a hand.

South Carolina... You guys have work to do. You have probably been wondering what is the meaning of this map next to the podium. Can you see the areas in blue? These are the areas of South Carolina that qualify for investments from the CDFI Fund. Wow, almost the entire state qualifies.

South Carolina, as a state, has 854 census tracts. Based on 1990 Census data, 62% of these tracts meet Treasury's definition of an underserved area, or what we call an Investment Area. These blue areas represent geographies where 57% of the state's population lives.

Do you see the red areas? These areas also qualify for the Fund's investments but these are areas that we have deem to be highly distressed. These are our "Hot Zones" and they represent 13% of your state's total census tracts.

Hot Zones are areas with high levels of distress (i.e., Poverty Rate of at least 20%, and income levels at or below 80% of the Area Median Income, with an Unemployment Rate that is at least 1.5 times the national average). Hot Zones, for the Fund, identify areas around the country with the greatest community development needs and limited availability of financial services from banks, thrifts and credit unions.

The new paradigm at the CDFI Fund is to view our partnership with CDFIs as a catalyst for vigorous community and economic development financing activity. In FY 2003, the Fund will introduce "Hot Zones" to help prioritize and direct the Fund's investments.

By managing our resources within Hot Zones, our dollars will be prioritized for investments into areas with the greatest needs and among CDFIs that can produce measurable impact. This means that South Carolina is an important state for the Fund's investments.

Let me spend a little time explaining who we are.





The mission of the CDFI Fund is to expand the capacity of financial institutions to provide credit, capital and financial services in economically distressed rural and urban communities. Put simply, the CDFI Fund invests in institutions that in turn provide capital and financial services to underserved people and communities.

Secretary O'Neill has challenged the CDFI Fund to leverage the knowledge of community development expertise and advance the innovative programs that improve the lives of Americans and our communities.

Through 2002 (seven rounds), the CDFI Fund has invested a dismal \$738,699 in South Carolina. Since 1996, investments in certified CDFIs have been the cornerstone of our program. The Fund has made approximately 1,350 awards totaling over \$580 million to financial institutions dedicated to community development.

We want to do more for distressed areas such as those in South Carolina and I am convinced that the introduction of Hot Zones in our competitive funding process will allow us to do just that.

The objectives of the CDFI Fund's investments are simple and clear:

- Our goal is to increase financing to businesses and individuals desiring to start businesses with low wealth, limited capital and are located in underserved communities;
- We desire to expand the supply and quality of housing units for underserved communities and populations; as well as increase homeownership rates among minority groups;
- We want to expand access to affordable financial services to the unbanked, low-income persons and others in underserved communities.
- By providing capital to CDFIs and organizations that want to become a CDFI, we plan on continuing to be an effective partner in helping to "provide access to capital to all Americans."

The Fund promotes access to capital and local economic growth in three ways:

1. Through our CDFI Program by directly investing in and supporting community development financial institutions (CDFIs);
2. Through our Bank Enterprise Award (BEA) Program by providing an incentive to banks and thrifts (FDIC-insured depositors) to invest in their communities and in other CDFIs, and
3. Through our newest program - New Markets Tax Credit (NMTC) Program by providing an allocation of tax credits to Community Development Entities (CDEs) which enable them

to attract investment from the private sector and reinvest these amounts in low income communities.

CDFIs are specialized financial institutions that work in market niches that have not been adequately served by traditional lenders.

The organizations we support are able to lend in ways that are more flexible or innovative than traditionally regulated financial institutions. To date, we have certified 603 financial institutions as CDFIs across the country. As I mentioned earlier, three of which are here in South Carolina - the Charleston Citywide Local Development Corporation, Business Carolina, Inc. here in Columbia, and the Native Island Business and Community Affairs Association, Inc. in Hilton Head. The organizations we certify at the Department of the Treasury are engaged in a variety of activities.

To participate in the CDFI Program you must first become a certified CDFI and then you can apply to the Fund for funding. To be certified as a CDFI, the institution must be a legal entity and meet all of the following requirements:

- Has a Primary Mission of community development;
- Serves an eligible Target Market;
- Is predominantly a Financing Entity;
- Provides Development Services;
- Is Accountable to the target market; and
- Is a Non-Governmental Entity.

Once the Fund has certified an institution as a CDFI, the institution is eligible to compete for funding under the CDFI Program.

We continue to certify and re-certify about 200 new CDFIs each year. Yet, it's not the number of CDFIs certified that you should be impressed with. It's the fact that these CDFIs service 98% of the nation's most distressed urban and rural communities.

The CDFI Fund is not a Federal regulator like the Office of the Comptroller of Currency, or OCC, which regulates national banks. No, we do not regulate CDFIs. I like to coin us as "determinators." The Fund is determined to see low income communities, like those found in South Carolina, thrive.

We are determined to foster the growth of more CDFIs with sufficient equity capital to provide financial services to make a difference in the lives of their customers.

Our communities, through compassion and community activism, have built a financial network that is dedicated to improving the lives







of our most economically deprived communities and citizenry. The reach of this financial network is unprecedented. The reach of this financial network is impressive.

Next year, during Congressional budget hearings, I'll be able to testify that the nation, through its network of CDFIs, reaches America's most distressed communities.

The CDFI Fund is a lifeline and we are committed to our mission and customer service delivery to you. We are committed to building the strength and capacity of this CDFI financial network to do more by improving the economic conditions of the markets they serve.

We are Determinators!

I have been informed that there are 63 CDCs at work in 25 of the 46 counties here in South Carolina. Though we have different strategies, I see CDCs and CDFIs as integral partners pursuing the same goal. A developer needs funding in order to build in the low-income community it serves. And the CDFI lender needs solid development organizations to invest in.

But what can we do to take this partnership to the next level? If one sees lending as a natural outgrowth of development then creating a CDFI to provide the financing may be the way to go. An example of this would be the various NeighborWorks organizations that now provide financing as a component of their program offering, such as the Charlotte - Mecklenberg Housing Partnership, Inc. through an affiliate of their development entity.

Another option may be to develop a statewide CDFI whose biggest customers would be the CDCs within that state. I encourage you to explore the options available with the goal of being able to do more for the communities you serve in this state.

As CDCs, I know many of you have traditionally focused on housing. But I now want to make you aware of a new tool to help you focus on economic development and commercial real estate.

In December 2000, the Community Renewal Tax Relief Act was signed into law. This law created the New Markets Tax Credit Program.

New Markets Tax Credit is designed to help stimulate up to \$15 billion, yes billion, of needed private sector investments in low-income communities across the country, including some of the distressed communities right here in South Carolina. The NMTC Program offers us a tremendous chance to focus on these communities.

The NMTC program is designed so that organizations like Community Development Corporations can be empowered with the

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and to help make the CDFI Fund even more important to your capital fund raising needs.

President Bush expressed that his vision for the country is to provide economic prosperity and security for America's citizens.

At the CDFI Fund, we play an active role in the President's vision for a more prosperous America.

We believe that ALL Americans should have access to capital, credit and financial services.

We believe that communities in need, can be improved.

We believe in you and the potential that you can make in the lives of your customers and the communities you serve, or plan to serve, in South Carolina.

It has been an honor to join you today and I look forward to working with you in the months to come.

Thank you very much.